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ABSTRACT

This module on owning and operating a day care center is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (services, customers, and competition; personal qualities and skills; legal requirements) choosing a location (zoning rules and regulations; number of families with young children; need for services; income of families); getting money to start (resume; business description; statement of financial need); being in charge (tasks; hiring staff; interviews; references; keeping people happy); organizing the work (keeping track of the children); setting prices (competition; operating expenses; profit); advertising and selling (brochures; promotion); keeping financial records (customer billing form; daily cash sheet); and keeping your business successful (profit/loss statement; net profit; changing your business to increase enrollment). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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etc Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Day Care Center

Module 23

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GETTING DOWN TO BUSINESS:

Day Care Center

Marcella Kingi

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own day care center?

This module describes people who have started and managed day care centers. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a day care center
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that day care center owners do.

Then you will have a better idea of whether a career as a day care center owner is for you.

Before you study this module, you may want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 22, Getting Down to Business: Restaurant Business;
- Module 24, Getting Down to Business: Housecleaning Service;
- Module 25, Getting Down to Business: Sewing Service;
- Module 26, Getting Down to Business: Home Attendant Service.

These modules are related to other businesses in occupational home economics.

UNIT 1

Planning a Day Care Center

Goal: To help you plan your day care center.

Objective 1: Describe the services, customers, and competition of a day care center.

Objective 2: List three special personal qualities a day care center owner needs.

Objective 3: List two ways to help your day care center compete successfully.

Objective 4: List one or more special legal requirements for running a successful day care center.

Buy and keep track of goods
Set prices
Advertise and sell
Keep financial records
Keep the business successful
Plan the business
Be in charge of people
Organize the work

ANNIE PLANS TO OPEN A DAY CARE CENTER

Annie Green has worked as a babysitter in her home for three years. She has cared for up to six children at a time from one month of age to two years old. Annie has taken courses in early childhood education, administration, and staff relations. She is thinking of opening her own day care center.

Annie said, "I didn't need a license to babysit fewer than six children. I got $50 a week--that's $300 a month! I was able to stay at home and do something I liked plus make money, too." Annie loved caring for children. She didn't mind the long hours or hard work that it required.

While babysitting, Annie found a great need for child care services for single parents, parents who worked odd shifts, and low-income parents. Annie decided to open her day care center on a 24-hour basis to meet the needs of these parents.

Annie did not think she would have much competition. By providing 24-hour child care services to needy parents, she would cut down on any competition she might have.

Annie knew that she would need a license to run her day care center. She contacted the licensing section at her State Department of Health to find out how to apply for the license. She learned that she must complete a detailed application on how she planned to run her business. She also learned that she would need to meet state and local regulations on inspection of her day care center. She then talked with a business insurance agent to find out what insurance she needed. Annie tried to plan carefully so that her business would get off to a good start.

Planning a Day Care Center

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

There are four main things that you will need to do when planning a day care center:

- decide what your services, customers, and competition might be;
- decide what personal qualities and skills you need to run a day care center;
- decide what special services you need to offer to compete well; and
- learn about the legal requirements for running a day care center.

Services, Customers, and Competition

Services. A day care center provides child care services for parents with children of all ages. It can provide care for infants, preschool children, and older children already in school. The older children are usually kept in centers after they get out of school. The centers caring for these older children are called extended day care centers.

The main service of a day care center is to provide care and development for children outside the family home. A day care center can provide half-time, full-time, or even 24-hour care.

These centers offer basic and supervised play. Many also provide educational programs as well. Children are usually enrolled in these centers to expose them to:

- trained professionals;
- new ideas or methods in educational programs; and
- other children of the same age.

Customers. Parents with children of all ages and from all income levels are likely customers. The parents can be a two-parent family or a single parent. You will have to decide about income level and age group of children you will want to serve. Like Annie, you may want to serve the needs of the low-income single parent. Once you have decided on your income and age group, contact the local Chamber of Commerce. They can give you information about the income of your area of interest. Your city planning department can also help.

Competition. There is not a lot of competition in the day care business. But there certainly is a great need for this service. To find out about any competition you might have, look up other day care centers in the Yellow Pages of your local phone book. Call these centers and ask them about their services, prices, and enrollment or waiting list. This information will help you decide if there is a need for this service.

Personal Qualities and Skills

Annie thinks she "has what it takes" to open a day care center. She has had experience as a babysitter. She has also received a credential in teaching and directing for early childhood education. Below are qualities that make Annie feel she is right for her business.

- She likes working with children.
- She has a friendly personality.
- She is patient and understanding of others.
- She is a good judge of people.

- She is willing to work hard and long hours.
- She has good business sense.

All these qualities are important for a day care owner. But the real secret of success is building a personal relationship with the children and parents. If you are concerned and show love and attention to their children, the parents will continue to bring their children to you whenever there is a need for your service.

How to Compete Well

Annie decides to provide a special service to parents who need help in caring for their children. She will provide a 24-hour day care service. She hopes this will cut down on any competition she might have. Below are some ways you can give your day care center an "edge" over your competition.

- Offer babysitting service and hire an elderly couple as the sitters. The husband can serve as your maintenance and handyman and his wife can be your night and weekend babysitter.
- Offer delivery and pick-up service for a one- or two-mile area within the community of your day care center. This will be attractive to many parents.
- Provide special fees offering lower rates to parents who cannot afford the full charge.
- Offer scholarships to needy children.
- Offer a drop-in service for children of any age for an hour or so.

Special Business Image

Create a business image that parents won't forget. Give your day care center a "catchy" name. Hire friendly employees who like children (and don't mind hard work).

Legal Requirements

You will need to apply for a license to run your day care center. Most day care centers are licensed by your State Department of Health. Others are licensed by the Department of Education.

Before applying for a license you will need to do some homework. Get a copy of the administrative code for your state. Check the requirements needed to run a day care center. After you know them, contact the licensing section at a local office of the State Department of Health. They will send you an application for a license.

The application will require a lot of information about your day care center. You will need to furnish:

- detailed plans;
- square footage;
- list of furniture and equipment;
- number of children to be cared for;
- fees and policies; and
- daily program and menu.

You must also be fingerprinted for criminal record clearance. You will also need to give information about what you owe and what you own. This is to show that you will be able to run your day care center for three months regardless of the fees you collect.

A licensing representative will then check your background. Other officials will visit your day care center. They will check that all building and health standards are up to state and local requirements. This will usually involve an inspection by the following:

- fire inspector;
- health inspector; and
- plumbing inspector.

Getting a license may take a long time. So be prepared to get started planning for your day care center early.

Summary

It takes a lot of planning to get a day care center off to a good start. Now you know some of the things that you must do when planning to open your own day care center.

Learning Activities

Individual Activities

1. Name the three types of children a day center can provide services to.

2. Suppose that you are opening a day care center for ages two to five. Look up day care centers and nursery schools in the Yellow Pages of your phone book. Find out who would probably be your competition.

3. Do you have the right personal qualities to own a day care center? Put a check next to the qualities that you think you have:
   _____ like to work with children
   _____ have a friendly personality
   _____ patient and understanding of others
   _____ good judge of people
   _____ willing to work hard and long hours
   _____ have a good business sense

4. Think of a special service you could offer to attract parents to enroll their children in your center. Write down what the special service would be and why you think it might increase your enrollment.

5. Call the licensing section at your local Department of Health. Ask what the legal requirements are for owning a day care center. Report your findings to the class.

Discussion Questions

1. Why do you think parents would need the services of a day care center? Do you think it is a good business to go into? Why, or why not?

2. Why do you think Annie decided to serve only parents with special needs? Do you think this was a good decision? Explain.

3. Do you think Annie has done a good job of planning her day care center? Where do you think she could improve her plan? Why?

Group Activity

Contact a day care center owner near your school. Ask that person to visit your class to share his or her experiences in running a day care center. Make up some questions you would like to ask the visitor. Here are a few examples.

1. Why did you decide to become a day care center owner?

2. What kind of experience did you have before becoming a day care center owner?

3. What did you do to plan your day care center?

4. What special services do you offer parents?

5. Would you advise others to go into the day care center business? Why, or why not?

UNIT 2

Choosing a Location

Goal: To help you choose a location for your day care center.

Objective 1: List three things to think about in deciding where to locate your day care center.

Objective 2: Pick the best location for a day care center from three choices.

ANNIE CHOOSES A LOCATION

Annie wanted to serve parents with special needs--low incomes, single parents, and parents who worked odd shifts. She knew that these parents were usually located in the lower rent areas. So she decided to look in this area for her location.

Annie found a large house for rent in a low-income residential area. She thought it would be a great location for her day care center. The house had a lot of floor space with four bedrooms. There was also a large front- and backyard. It looked ideal.

The house was near a university. Annie thought this was a good location for potential customers. She could care for children of students while they were in school along with others who might need her service.

Annie decided to do some research before she checked on the rent. She went to the local schools to find out the number of children between the ages of two and five. She found a large number, enough to provide a successful enrollment. In checking out the location Annie discovered that the house was not in the right zone for a day care center.

This did not stop Annie. She decided to talk to the owner of the house before going any further. The owner told her that if she could rezone the area she could rent the house for $200 with an option to buy it.

Annie knew that the parents needed her services and the offer was too good to pass up. So, she tried to rezone the area for her business. It took her almost six months to rezone, but she did.

Choosing a Location

Once you have decided to open your day care center, how will you choose your location? Do you have a certain location in mind like Annie? Or will you try to fit your day care center to any location?

Things to Think about in Deciding Where to Choose a Location

You should think about the following five things when making your choice:

- zoning rules and regulations in the area of interest;
- number of families with young children;
- need for child care services;
- income of families; and
- characteristics of the neighborhood.

Although there is a great need for day care centers, not every neighborhood can use such services. To find out if an area is "right" for your business, you will need to do some research.

Zoning Rules and Regulations

In choosing your location, the first thing you must do is find out if the area of interest is zoned for a day care center. The zoning commission usually requires special permits if the location is in a residential area.

The best location is usually in a "buffer zone" which is between residential and commercial districts. These areas are multizoned, with

building codes covering many types of use. They include small offices such as:

- medical or dental clinics;
- apartment projects; and
- multifamily housing.

These areas have families moving in and out. It is their need for child care that could support a day care operation. Contact your local planning department for information about the zoning in each area of interest.

Number of Families with Young Children

The next step in choosing a location is to find out the number of families with young children living in each area of interest.

Choosing a location in a well established section of a neighborhood with a middle-aged population is not a good choice. Call or visit the local school districts and Chamber of Commerce in each area of interest. They can give you information about the number of children in their area. The local Planning Department can also help.

Need for Child Care Services

To find out the need for services in an area, you will need to gather information about other day care centers. Take a survey of local day care centers to compare their enrollments, locations, fees, length of waiting list, and educational programs. This will give you an idea of the need for your services in a particular area.

Income of Families

The fees you charge for your services will usually depend on the income of the families in the area. To get this information you will

need to check the amount of money people pay for rent and home costs in the area. Rent and home costs are usually 20% of a family's income. If a family pays $200 per month, the family's income is probably about $12,000 a year.

Call or visit the Chamber of Commerce and a real estate office for each of your areas of interest. They can give you information about the income of each community in their area.

Character of the Neighborhood

A day care center will draw children from a small area, usually about a two- or three-mile area. The neighborhood should be somewhat transient (people staying only a short time) in order to provide a steady flow of young families.

A good location might be an area where there is a large number of single family houses or medium incomes that allow parents to afford private day care for their children. Your choice of neighborhood will, of course, depend on the type of parent you will want to serve.

Choosing a Location

In choosing the actual site for your day care center, make sure that the area is zoned for a day care center. Then look for a neighborhood that has 10 percent of its population under the age of six and 20 percent of the adults in the 20 to 34 age group. The income will depend on the type of family you want to serve.

In making your decision it is also necessary to decide on the size of the business you will run and the rent you will pay. The rent will depend on the size of the building you are looking for. The rent should be based on the amount of business (money) you expect to bring in. Your rent should average between nine and 14% of this amount.

Many parents will choose a day care center on the basis of its location. They look for a center that is:

- near their home;
- close to streets children use going home from school;
- within easy reach of neighbors who can help if a child becomes ill during the day; and
- accessible from roads traveled while going to and from work.

The center should be located on a street used heavily in commuting to and from jobs. A good location might be where mothers and fathers can easily drop off their children and continue on to work or to their activities.

Summary

Once you have decided to open your day care center, you must check zoning regulations, number of families with children, need for services, family incomes, and type of neighborhood for the area in which you plan to set up your business. You will also need to decide on the size of your business and the rent you should pay. Your timing and planning will determine the success of your business.

Learning Activities

Individual Activities

1. What is the first thing you should do in choosing your location for a day care center?

2. Define a "buffer zone."

3. Name at least three types of buffer zone areas.

4. Make a list of the day care centers in your area and find out the following information:
   - enrollment;
   - fees;
   - length of waiting list;
   - educational programs; and
   - any other special services.

5. Call a local real estate office and find out the income average of the community where you live.

6. Call your local school district or Chamber of Commerce and find out how many children live in your community and their ages.

Discussion Questions

1. Based on what you learned in the Individual Activities, do you think it would be wise to open a day care center in your area? Why, or why not? What age range would you choose?

2. **Think of all the successful day care centers in your community. Discuss how their location affects their success.**

Group Activity

Have each student pick a site for a day care center and find out the following information:

- zoning regulations;
- number of families with young children (include children's ages);
- need for child care services;
- income of families; and
- type of neighborhood or community--are families stable or do they move in and out frequently?

Discuss each site and decide if the location would be a good or poor choice for a successful day care center.

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start your day care center.

Objective 1: Write a business description for your day care center.

Objective 2: Fill out a form showing how much money you need to borrow to start your day care center.

ANNIE GETS MONEY TO OPEN HER DAY CARE CENTER

The next step for Annie was to figure out how much money she would need to start her day care center. Then she would find out where she could get the money.

Annie made a list of her expenses. The total came to about $12,500. This did not include employee salaries. Annie knew that this expense would be her largest because she would be open for 24 hours, six days a week. The salaries would amount to about $10,000 for the first three months.

Annie would also need an extra $10,000 for any problems that might arise. She had saved $6,000 to invest in her own business. Annie needed a total of $32,500 to open her center. With the $6,000 she had saved, she would need an additional $26,500.

Annie decided to apply for a business loan from the local bank. She had heard from other female business owners about a special program available to many business owners through the Small Business Administration (SBA). This is a federal agency that makes loans available through commercial banks. Annie decided to ask about this program when she applied for her loan.

Getting Money to Start

Now that you have located a place for your day care center, you will need some money to start it. Let's suppose you have tried to borrow from friends and relatives. But they just are unable to help right now.

To get the money to start your business you will need to go to a lender--a bank or government agency. You will need to provide a lot of information to prove that you are a good business risk. Lenders will want:

- personal background information (a resume);
- a description of your business; and
- a statement of financial need.

Personal Background Information (a Resume)

A resume is the first thing you should prepare when requesting a loan. The resume tells the lender who you are, what you are doing now, and what you have done in the past. The lender needs to know about you to get a better idea of your possible business success.

Business Description

Every new business begins with an idea. Your next step in getting your loan is to put your idea into writing. You do this by preparing a written description of your business. Your business description should include the following:

- kind of business and its name;
- services you will provide;
- location of business;

- your competitors (other day care centers in the area);
- who your customers will be;
- number of employees you will need to hire; and
- your strategy for success.

Annie completed the following business description to get the money needed to start her business:

> "I plan to open a day care center. The name will be 'Small Fry.' It will provide child care service for children from two to five years of age. I plan to locate the day care center at 1386 West 36th Street. I can rent the house for $200 a month with an option to buy it.
>
> "The house is large enough to care for 36 children. It has a large yard for the children's play area. I plan to do some remodeling. I have estimated this cost at about $6,000.
>
> "I will have four employees, including myself, working in the day care center. There will be three teachers and one cook. I plan to open the day care center by October 1, if I can get this loan from the bank."

Statement of Financial Need

Detailed information about starting expenses and the amount of money you have on hand must also be given to the lender.

Starting expenses. The starting expenses will tell the lender the exact amount of money you will need to open your day care center. Let's look at what Annie's starting expenses are:

Rent (first three months)	$ 600
Utilities and phone deposits	200
Licensing and permits	75
Repairs/remodeling	6,000
Educational supplies and equipment	4,000
Food supplies (one week)	300
Legal expenses	300
Insurance (first quarter)	600
Promotion (brochures)	225
Advertising	200
TOTAL	$12,500

The largest purchase Annie will make, other than remodeling, will be furniture and equipment. The following items would be needed for a day care center for 36 children:

- children's furniture;
- shelves, cubicles, lockers;
- recreational/educational equipment--indoor and outdoor;
- office equipment; and
- general supplies--trash cans, fire extinguisher, etc.

You may find the toys and educational supplies you need from "Toy Wholesalers." The kitchen equipment will be available from "Restaurant Equipment Suppliers." The "Playground Equipment Dealers" will handle and install the things you need for your yard. All these can be found in the Yellow Pages of your phone book.

You may not want to handle this alone. Then hire a day care consultant to help you select equipment and plan your purchases. Call your local Nursery Association for a referral.

But before doing any of these things, visit established day care centers. These visits will give you some idea of what you might want to use. Cost can vary widely. Large operations may use more expensive furniture and equipment. For a small day care center like yours, you may want to build your own equipment or hire a retired carpenter to help.

Day care starting expenses vary depending on the size of the business. Usually profits will be slow in the beginning. It is best to borrow enough money so that you will have an excess on hand to carry you through the first six months.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	_____		
Building and Property	_____		
Repairs and Renovations	_____	Cash on Hand	_____
Equipment and Furniture	_____	Gifts or Personal Loans	_____
Inventory or Supplies	_____	Investment by Others	_____
Advertising	_____	TOTAL	_____
Other	_____		
TOTAL	_____	TOTAL STARTING EXPENSES	_____
		TOTAL MONEY ON HAND	_____
		TOTAL LOAN MONEY NEEDED	_____

This form may be different from the one that you will use. But it will give you an idea of what to cover when preparing a statement of financial need.

Summary

When applying for a loan, you will need to provide a description of your personal background (resume), a business description, and a statement of financial need. Your careful planning will be the key to the outcome of your loan request.

Learning Activities

Individual Activities

1. What did Annie leave out of her business description that the bank is likely to want to know about?

2. How much did Annie need to start her day care center? Do not include the salaries or cash needed to carry her through the first six months of the business.

3. What were Annie's total starting expenses?

4. How much money did Annie have to start her day care center?

5. How much did she need to borrow?

6. Which of Annie's starting expenses would need to be listed under "Other"?

7. Fill out a statement of financial need for Annie. Use the form in this unit.

Discussion Questions

1. How do you think a lender, bank, or government agency would react to Annie's business description?

2. What information other than a business description and statement of financial need would a lender want to know before giving Annie a loan?

Group Activity

Read the following account of Damon Benton's life:

> Damon Benton has worked as an elementary teacher for four years. He loves working with children and watching them learn. He has tired of teaching in the school system and is thinking of opening a day care center. He has found a small fully equipped day care center that he can take over. It will accommodate 20 children. But Damon has not saved any money.

As a group, discuss the following:

1. What would Damon's starting expenses probably include? How would his cost compare to Annie's?

2. Would he have to apply for a loan? If so, how would he do this?

3. Do you think Damon should go into business before saving any money? Explain your opinions.

UNIT 4

Being in Charge

Goal: To help you select and manage the people with whom you work.

Objective 1: Given the general tasks of a day care center owner and several employees, decide how to divide the work.

Objective 2: Select from a list of day care center applicants those acceptable for your business.

Objective 3: List three ways to keep employees happy.

BEING IN CHARGE

Annie knew how many employees she needed to care for 36 children. She knew that she needed one teacher for every 12 children or one teacher and an aide for every 15. She would also need a cook to prepare their meals.

Annie would open on a 24-hour basis. So she would need a staff for three shifts--mornings from 6 a.m. to 3 p.m., afternoons from 3 p.m. to 11 p.m. and evenings from 11 p.m. to 6 a.m.

Annie decided to enroll up to six children for the evening shift. She figured this would cut down her staff costs. Annie said, "The children are usually asleep at this time and I can care for them myself."

Annie would have to hire staff for her morning and afternoon shifts. Annie said, "The thing I will look for in an employee besides the needed requirements will be warmth and concern for children. My business will depend on how well the employee treats the children and their parents. Everything I have put into my business and its success will depend on my staff."

Annie developed an application form and a list of interview questions. Her experience as a babysitter and her early childhood education were of great help. Within a few weeks Annie had hired her staff.

Being in Charge

Owning and operating a day care center involves many different tasks. The most important is hiring and being in charge of your staff. In this unit you will learn about:

- general tasks in running a small day care center;
- the staff you might need;
- sources for finding your staff; and
- selecting your staff.

Tasks

In the day care business, you will deal with a lot of different tasks. In the course of one day you may:

- supervise children and their activities;
- interview parents;
- plan programs;
- work out schedules;
- interview and hire new employees;
- serve meals or snacks; and
- assist with teaching.

Being an owner of a day care center requires constant supervision of the business. Like Annie, you will need help in handling some of these tasks.

The size of your staff will depend on the number of children you plan to serve. Let's look at the state of California as an example. Centers there are required to have one teacher present for each 12 children, or a teacher and an aide supervising every 15 children. For a small day care center of 36 like Annie's, let's suppose you will need

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only three teachers and one cook. How will you select these people? It is not only important to know what type of employees you are looking for but where to look for them.

Selecting Job Applicants

The success of your business depends on the skills, warmth and loyalty of its employees. It will be important for you to select job applicants carefully. Remember these people will be an extension of you. The success and reputation of your business will depend on how well you make these selections.

Sources of employees. There are several ways to find an employee:

- friends and acquaintances;
- employment agencies;
- newspaper advertisements; and
- personal applications.

Friends and acquaintances are sometimes able to recommend possible applicants. These references are usually the best because they know your business needs and what type of person you have in mind.

Employment agencies are also a good source. There are two types--public and private. The U.S. Employment Service has public employment offices in each state and is set up for the benefit of both employer and worker. Private agencies usually charge a fee but some specialize in certain kinds of employment. They might be a good source for getting skilled employees.

The newspaper advertisement is the most widely used way of looking for employees. But another good source would be students working toward degrees in early childhood or related studies at local community colleges or four-year colleges.

After you have found some potential employees you will have to learn certain things about them. You can get this information from a detailed application. The applicant should:

- fill out a detailed application;
- provide personal references; and
- have a personal interview.

Detailed application. The amount of detail in the application will depend on the type of job you want to fill. There are a few things you should know when hiring teachers, aides, and other staff. Teachers must be 18 years or older. The also must have completed, or be working towards, 12 college semester units in early childhood education. Teacher aides must also be 18 years of age and have a high school diploma at the time of employment. They may also be hired if they have obtained two years experience in group child care. As previously mentioned, a good source for teachers would be students working towards degrees in early childhood education or related studies.

Employee salaries are usually the largest expense of running a day care center. Because of this expense some day care center owners are tempted to cut corners by asking teachers to do other things, such as cooking or housecleaning. However, regulations make the professional staff responsible only for teaching and related tasks.

Cooks are needed in most full-day care centers even if hired on a part-time basis. Other duties might include instructing children about nutrition and monitoring meal service and clean-up.

You may want to hire a maintenance person to handle cleaning and other janitorial duties and repairs. This person could be hired on a part-time basis. If you provide transportation, this person could help with the driving. The person could also take care of the odd jobs.

Every staff member must present proof of a recent medical examination and TB (tuberculosis) test before he or she is hired.

Personal Interview

The personal interview is especially important. It can tell you about the personal qualities that don't show up on the application. In your interview you should discuss carefully the job qualifications with the applicant. Through a friendly conversation you can find out how the person meets your standards.

Personal References

Before hiring the person, check his or her references. Remember that hiring a person represents a large investment. An application and interview may show that a person is qualified to do the job. But after checking references you may find this is the wrong person for the job.

The best type of reference check is person-to-person. Call the reference and discuss the applicant. Prepare a list of questions to ask about the applicant's employment record, what kind of employee the person was, and how well the person got along with others. It takes a lot of time, patience, and skill to check references. But they are the best source of information about the applicant.

Keeping People Happy

A day care center, as any other business, must keep its people happy to stay in business. To do this you should provide:

- good personal relations;
- special services or benefits; and
- clearly stated policies.

Good personal relations. Place your staff in positions where they will be happy working. Don't overwork your people. Don't have them work with children they prefer not to care for. Listen to their

complaints and problems. Try to help them work the problems out in a positive manner. Give them advance notice of the amount of work you expect them to do. Also tell them any problems they might have to deal with.

Special benefits. To attract and keep your staff, it will be necessary to offer something extra. This might be prompt and better pay and fringe benefits as compared with those of similar businesses.

Clearly stated policies. Conduct regular meetings to keep employees informed about the information that is sent to parents. Let them know about all policy revisions, problems regarding certain children or family situations, and any future activities. Give all your staff written policies about salaries, hours, responsibilities, vacation, and sick time. When everyone knows the rules and regulations of your operation follow them in a businesslike way.

Summary

There are seven tasks you may do in the course of a day as the owner of a day care center: supervising children, interviewing parents, planning programs, working out schedules, interviewing and hiring new employees, serving meals or snacks, and assisting with teaching. Hiring new employees involves finding potential employees, reviewing their applications, interviewing them personally, and checking their personal references. Keeping the people you hire happy involves establishing good personal relations, offering special benefits, and stating operating policies clearly.

Learning Activities

Individual Activities

1. What are some of the tasks a day care owner might do in the course of a day?

2. Name at least three ways to find an employee.

3. List the three things an applicant should do when applying for a job.

4. What are the requirements of a day care center teacher?

5. What are the requirements of a day care center teacher's aide?

6. What is the best type of personal reference check? Why?

7. Name at least three ways to keep your people happy.

Discussion Questions

1. Assume that Annie hired Alice Hernandez. Alice had worked a year as a babysitter in a nursery. She is taking 15 units of early childhood education in her first semester of college with a major in early childhood. Which job did Annie give Alice--teacher or teacher's aide? Why?

2. What problems might a day care center owner have if he or she hired someone who did not like working with children?

3. As the owner of a day care center, you have just interviewed Ralph Cohen. He is friendly, has a warm personality, and meets the qualifications for a teaching job. You are thinking of hiring him but after calling a few references you find out that he gets upset very easily. What should you do?

Group Activities

1. Have the class pair up and role play the following situation. Reverse players to get an idea of how it feels on both sides.

   Lillie Stewart has applied to Annie's day care center for a teacher's aide position. Her application shows that she has worked in several other day care centers. During the interview she mentions that she has had to leave each job for "health problems." She assures Annie that she can handle the job.

2. Divide the class into groups of three. Then have the students reverse their roles so that each student can role play Annie.

   Annie's staff are late for the morning shift. They are arriving between one-half to an hour late. No one has called in to let Annie know they will be late. Role play Annie's conversation with two teachers and a teacher's aide.

UNIT 5

Organizing the Work

Goal: To help you organize the work of the day care center.

Objective 1: Given available employees and specific customer orders, fill out work order forms.

Objective 2: Given several tasks to do on a particular day, develop a work schedule for yourself or an employee.

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ANNIE GETS ORGANIZED

"Small Fry" has opened and seems to be doing well. The parents really like the job Annie is doing. They especially like the warmth and concern she shows to their children.

Sometimes it's hard to get all the work done. When Annie has all 36 children in at one time, it can be a very time consuming job. Annie tries to take care of all the children by scheduling the work. She assigns one of the teachers to each group of 12 children.

Annie has developed a program so that everyone knows what is expected each day. This is the daily program Annie prepared for her day care center from 6 a.m. to 6 p.m.

6:00 - 7:00	Early arrivals; breakfast, if necessary
7:00 - 8:00	Arrivals, health check; free play, indoors or out
8:00 - 9:00	Table games, puzzles, art activities, story reading
9:00 - 9:30	Division into groups for idea exchanges, sharing time, "show and tell"
9:30 - 10:00	Circle time for music, dancing, story telling
10:00 - 10:15	Snack time
10:15 - 10:45	Children play
10:45 - 11:15	Individual projects, science experiments
11:15 - 11:45	Free play, conversation time, enjoying each other
11:45 - 12:30	Wash up and lunch
12:30 - 12:45	Group singing
12:45 - 2:45	Nap
2:45 - 3:00	Wake up and wash up
3:00 - 3:15	Snacks
3:15 - 4:45	Teachers and students play together indoors and out
4:45 - 6:00	Free play, indoors and out, until pick-ups

Organizing the Work

Doing the work of any business, large or small, involves three things: organizing the work, doing it, and checking to make sure it has been done. To do these things, you will need to keep track of the number of children that you care for each day. You will also need to keep track of the staff who will care for the children.

This unit covers organizing the work of a day care center. First you will learn about recording and keeping track of the children. Then you will learn about scheduling your staff.

Keeping Track of the Children

An easy way to keep track of the number of children you will care for each day is to complete a work order form. This is a record of the number of children enrolled daily. By looking at this form, you can plan a work schedule for your staff, too.

Work order. Annie developed this form so that she could tell how many children she would care for in a single day. She could check her enrollment on a weekly basis to see when each child was scheduled to come in. Some children were full-time and some were part-time. By using this form Annie could tell what her workload would be for the day. Then she could schedule her work accordingly.

WORK ORDER FORM

(Number of Children Enrolled Daily)

Full-time/ Part-time	Date	Child's Name	Time Arrival/ Departure	Total Hours

When a child arrives at the day care center Annie writes down the child's name, the date, and the arrival time. She also places a FT (for full-time) or PT (for part-time) on the form. When the child is picked up Annie writes down the time and totals the hours. By using this form Annie can tell how long each child has been at the day care center each day.

Work schedule. Annie had to organize her staff's work hours. She had to decide which shift each employee would work. For this she needed a staff work schedule. The work schedule is a record of when each employee has worked. It is used to tally employees hours for payment.

On the work schedule, Annie writes the date, the name of each employee, and the number of hours that they will work under each shift. She then totals the hours worked each day.

Annie said, "I try to fill out my work schedule a week ahead of time. The work schedule lets my employees know when to come to work. It also tells me when I need to call someone else in if an employee is not available." The form Annie used is shown on the next page.

WORK SCHEDULE

Date: October 28

Employee	Shifts 6am - 3pm	3pm - 11pm	11pm - 6am	Hours Worked
Kim Wilkins	5	3		8

The forms Annie used may not exactly suit your needs. Adopt whatever methods are suitable to make your work easier. The important thing is to keep records of the number of staff and child care hours. That way you won't have problems when it is time to pay staff or bill parents.

Summary

It is important for a day care center to get jobs done properly. Using work orders carefully can be a great help. Planning a work schedule for your staff will help you handle the work. Three things you should think about in running a day care center are organizing the work, doing the work, and checking to see that it is done.

Learning Activities

Individual Activities

1. Three full-time children arrived at Annie's day care center as follows:

    a) Deanne King (arrive) 8 a.m. (depart) 5:30 p.m.
    b) John Martinez (arrive) 6 a.m. (depart) 3:00 p.m.
    c) Lisa Swartz (arrive) 9 a.m. (depart) 4:00 p.m.

    Two part-time children arrived as follows:

    e) Maureen Chow (arrive) 12 p.m. (depart) 4:00 p.m.
    f) Arthur Florez (arrive) 11 a.m. (depart) 3:00 p.m.

    Fill out a work order form using today's date. Total the hours.

2. On October 13, Annie scheduled her staff as follows:

    a) Barbara Cook 6 a.m. - 11 a.m. and 3 p.m. - 6 p.m.
    b) Lonnie Griffin 8 a.m. - 12 p.m. and 4 p.m. - 6 p.m.
    c) Vance Smith 6 a.m. - 3 p.m.

    Fill out a work schedule form and total the hours for each.

Discussion Questions

1. "Tinker" Day Care opened to take care of 25 children from ages two to eight. When parents paid their monthly enrollment fees the owner wrote down the amount on a piece of paper and stuck it in his desk drawer. He did not write down the date, just the amount and name. Why do you think "Tinker" Day Care went out of business?

2. Do you think it is always easy for Annie to make up a daily program and work schedule for her staff? Why, or why not? What could make it easier?

Group Activity

Collect work orders and work schedules from day care centers in your community. Also ask for any other types of forms the business may use. As a class, talk about how these forms would be used. Decide if each one would be used before or after a work schedule was completed. Make a list of the order of use of these forms.

UNIT 6

Setting Prices

Goal: To help you set prices for your day care center.

Objective 1: Given things to consider about the fees of a service, select the best prices.

ANNIE SETS PRICES

Before Annie began to actually enroll children into her day care center, she had to decide on the price she would charge. She had to decide how much to pay her teaching staff. She also had to decide how much to charge the parents.

"First I have to look at my competition. I know that other day care centers charge between $28 and $48 a week. I want to charge lower prices for my center. I can hire students who meet the necessary qualifications at $3.50 to $4 an hour. They can work while going to school. This will cut down on my staff expenses."

Annie decided to charge $25 a week for each full-time child and 75¢ for hourly rates. This rate would also be charged to non-enrolled children. Annie would also provide a discount for families who enrolled more than one child.

Meals were also served. So she would charge an additional $1 for each child not enrolled on a full-time basis who stayed at meal times.

Setting Prices

To be successful, you must set prices for your day care center which:

- are competitive with similar businesses;
- cover operating expenses; and
- allow enough profit.

In this unit, you will learn about things to consider in setting fees for your services and about the way you go about doing it.

Competition

Your prices must be competitive. You have already found out your competitors' prices. Keep these in mind when you set your own prices. Parents will not be happy paying higher prices, unless you offer extra services. These services may include pick-up and delivery, or drop-in services. But try to set your fees within the range local parents can afford.

Take California, for example. Fees there range from $70 a month in low-income neighborhoods where overhead is low to $140 or higher in high-income residential areas. These fees include services for full-day care, including a hot lunch and snack, five days a week.

If you decide to open a day care center in a middle-class neighborhood, rates are usually $27 to $35 per week. Hourly rates for non-enrolled children can range from 75¢ to $1.50 per hour with a $4 minimum. You can apply the same rates to nighttime baby-sitting if you offer this service. A good charge for night rates would be 75¢ per hour with a three-hour minimum.

Operating Expenses

Enrollment fees are usually the only source of income for a day care center. The total amount you collect must cover your operating expenses. Operating expenses are the costs a business must pay just to keep its doors open. These expenses occur whether or not a business gets any customers. These expenses include:

- salaries;
- rent;
- supplies;
- food;
- advertising; and
- utilities, insurance, and taxes.

Annie knows that her monthly income must be enough to pay these expenses.

Salaries are the largest expense a day care center owner will have in running the business. The pay for teachers is usually a minimum of $4.00 per hour. One of the ways to keep your salaries down is to hire students on a part-time basis.

There is currently a large number of teachers in most parts of the country who are either out of work or retired. These are also a good source to consider. During the receiving hours of 6:00 - 9:30 a.m., and after nap and snack periods, only a few teachers will be required. With proper scheduling and a large number of part-time teachers you can keep your payroll low.

Profit

Your fees must allow you to make some profit. Profit is what is left over after all expenses of your business have been paid. Your profit will include your own salary and some amount above that. You will have to decide how much profit you can make and whether this is

acceptable to you. Remember that many successful businesses start with [illegible]

Other Things to Think About

Like Annie, you could offer a discount to families with two or three children. Annie has decided to give the second child a $15 per month discount and the third child a $10 per month discount. You could also prorate charges for children who attend only two, three, or four days a week.

If you decide to include meals with your service, the charge is usually $1 a meal. You can offer a special rate to parents who wish to leave their child for a 48-hour weekend. You might try $25 to $35 with meals included. This can also be prorated if the parent wishes to have the service for three or four days, or longer. One 24-hour day can be priced at $15.

You might also want to consider asking for fees on a "sliding scale." This would offer lower rates to parents who cannot afford the full charge. It will help to attract children from different incomes and increase your enrollment.

Summary

In setting your fees for your day care center you must consider your competition, operating expenses, and profit.

Learning Activities

Individual Activities

1. Call up a few day care centers in different income areas. Find out how much they pay their staff and how they set their fee. This will give you a better idea of prices in your own area.

2. Let's say Annie enrolled three children from the same family in her Small Fry Day Care Center. Annie set the first child's fee at $100 a month. What would she charge for the second and third child?

3. Annie enrolled Nicky Hopkins in the Small Fry Day Care Center on a full-time basis. Annie charged $24.50 for each week. What would Nicky's monthly bill total if she attended five days a week for four weeks?

4. Hank King arrives at Small Fry Day Care Center at 8 a.m. and leaves at 5 p.m. He is not enrolled on a full-time basis. Annie charges 75¢ for hourly care. How much will Hank's parents be charged for the day?

5. What is a sliding-scale fee?

Discussion Questions

1. List and discuss the expenses a day care owner might have that would reduce his or her profits.

2. Annie decided to set her fees at $25 a week per child, 75¢ on an hourly basis, and allow a discount for more than one child from a family enrolled on a full-time basis. Do you think this was a wise decision? Why, or why not?

Group Activity

Ask groups of students to pick a day care center from the Yellow Pages. Make sure that groups choose centers serving customers in different income levels (low, middle, and high incomes). Students should call the centers to get information about fees for weekly, daily, and special services. As a class, discuss the similarities and differences between prices.

UNIT 7

Advertising and Selling

Goal: To help you advertise and sell the services of your day care center.

Objective 1: Choose the best way to advertise your day care center for a specific purpose.

Objective 2: Develop a printed ad for your day care center for the Yellow Pages or a newspaper.

ANNIE "SELLS" HER DAY CARE CENTER

Annie was able to get her enrollment almost up to capacity within a month. How did she manage to do this?

About three months before she opened, Annie put this ad in the Yellow Pages. It was published by the time she opened.

SMALL FRY
DAY CARE CENTER

We provide T.L.C.
(Tender Loving Care)

Offering
Infant, Preschool, and
After-school Programs

OPEN 24 HOURS

We cater to children of
low-income
and
one-parent families

1386 W. 37th Street
Los Angeles
213/764-1521

Annie sent a brochure to all the families in the neighborhood describing her services one month before she opened. Annie also placed an ad in all the local papers two weeks before she opened. The ad ran in the papers up to the date of her opening.

Advertising and Selling

Advertising is the major way that businesses get their customers. It is a way of letting people know about the services that you offer. As the owner of a day care center you will need to do two things to attract parents:

- make up a brochure; and
- select a form of advertising.

Now, many day care center owners do very little advertising because of the great demand for their services. They are usually able to operate at 60% capacity within three to six months of opening. But those who do more advertising reach their capacity much sooner.

You will have to decide how long you want to wait for a full enrollment. Remember that there are many parents with "little wee ones" who don't know of your tender loving care.

Brochure

The first step in your advertising campaign is to develop a brochure. All day care centers should have one printed. The brochure should describe your:

- programs;
- cost;
- hours; and
- staff.

The brochure should be attractive, colorful, and informative. It should be mailed to homes and apartments within a two- to three-mile area of your center.

Unless you are running at full capacity, you should send these brochures once a year to the entire neighborhood. These brochures can be kept on hand to mail or give to parents asking about your services.

Advertising

Word-of-mouth is the best means of advertising for a day care center. Pleased parents will advertise for you when they tell other parents of their satisfaction with your services. Word-of-mouth recommendations help to build your waiting list. This spells success for both your present and future profits.

Here are three ways to attract parents to your day care center: Yellow Pages, newspaper ads, and direct mailings.

Yellow Pages. Advertising in the Yellow Pages is absolutely necessary. Your ad will reach the entire community and will last a long time. It should appeal to all types of people. An ideal ad:

- is simple;
- is informative;
- is truthful;
- is imaginative and attractive; and
- describes important or special features of your business.

These ads get a lot of response from all types of potential customers: parents who are single, married, divorced, or separated; local residents; tourists; people new in town; and those who have lived in the same place for a lifetime. Cost of the ad is based on page space.

Look at your competitors' ads. Try to get an ad that will include a headline, information about the day care center, your name, address, phone number, and a picture of the center. Remember the ad should be placed far enough in advance to appear by the time you open for business.

Newspaper ads. Plan to advertise in the newspaper, at least until your business is well established. Newspaper ads have several advantages.

- They reach a large number of people.
- They are pretty cheap for the number of people they reach.
- They can reach all types of people.

The cost of the ads are usually based on column inches, with the highest for metropolitan dailies and lowest for weeklies. Contact the newspaper advertising department about detailed information you might need.

Direct mail. This is advertising sent to the customer. Fliers, brochures, and letters are used in this type of advertising. Direct mail advertising is good because it can be sent to a special group of people who would likely be influenced by it. It is the most personal of all advertising because it is directed to an individual by name.

There is an important advantage of this type of advertising. The message is addressed and delivered only to people you want to reach and at the time you want them to receive it.

Promotion

Try a few promotional gimmicks to draw crowds. A clown giving away balloons with your name printed on it will delight the children and give you some good exposure, too. Give out sugar-free lollipops or T-shirts if you can afford it. It will usually pay off in the end.

You can also paint signs or print posters to put in local supermarkets and public places. This may attract parents thinking of enrolling their child in a day care center or waiting for an opening in a center with a long waiting list.

Summary

As the owner of a day care center, you will want to attract as many parents as possible. There are two things you will need to do in advertising your services. First, you need to develop a brochure describing programs, costs, hours, and staff. Then you must choose a type of advertisement that will reach your potential customers.

Learning Activities

1. What is the first step in designing an advertising campaign for a day care center?

2. Why do you need to develop a brochure? Explain.

3. Think of the type of day care center you would like to open. Do the following:
   - name it;
   - pick an age group to serve;
   - pick a location; and
   - choose your staff.

   Then develop a brochure for your center.

4. What is the best means of advertising for a day care center? Why? Explain your ideas.

5. Name three ways to attract parents to your day care center.

6. Annie wants to change her ad in the Yellow Pages. She thinks it might be too wordy. She is also considering changing the style of her ad. Make up a new ad for Annie's business.

Discussion Questions

1. Martha Scott, owner of Tender Care infant center, just opened a center. She wants to place an ad in the newspaper. But she has a limited amount of money to spend for advertising. Martha has already placed an ad in the Yellow Pages. Should she place her ad in the daily or weekly newspaper? Why?

2. Billy Johnson opened a day care center for preschoolers--ages two to five. To advertise he sent flyers and brochures to the homes of all the families in the local neighborhoods. He addressed the mail to "Occupant" and received little response. What could Billy have done to get a better response? Why? Do you think he should have used another kind of advertisement? Why?

Group Activity

Have each student bring in a day care center ad from the Yellow Pages. Compare these ads and answer the following questions.

1. Which ads provide special services? How can you tell?

2. Which ads are from small businesses and which are from larger franchises? How can you tell?

3. Which ad probably cost the most? The least? Why?

4. Which ad is the most appealing? Why?

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your day care service.

Objective 1: Given information about the services performed for a customer, fill out a customer billing form.

Objective 2: Given information about income and expenses on a single day, fill out a daily cash sheet.

CASH
FINANCES

ANNIE KEEPS TRACK OF FINANCES

Annie developed a weekly bookkeeping system. Every Friday she added up the week's work orders. Then she billed her clients. She also added up the staff's time schedules and paid them. Annie also paid any current bills owed for supplies.

Annie felt quite pleased with the progress the day care center was making. She was averaging about $1,200 a week in revenues. When doing the billing on Fridays, Annie's cash payments for a single week were as follows:

Employee wages	$700
Advertising	10
Supplies	125
Food	80

Fridays seemed full of writing checks and record-keeping. Actually, Annie spent only about half a day per week keeping track of her finances.

Keeping Financial Records

As a day care center owner, you must have a clear way of keeping track of your income and expenses. You must keep good financial records. That way you will know how your business is doing and can make better business decisions.

Your records will help you to answer such questions as:

- How much business did I do?
- How much profit did I earn?
- How much were my food costs?
- How much were my other expenses?

Many small business owners question the need for keeping records. They say, "Why keep a lot of complicated records? We're so busy running my business, we don't have time for recordkeeping."

Many small businesses have failed either because of poor record-keeping or because no records were kept at all. Business success and good recordkeeping go hand in hand. So, you can see there is a real need for recordkeeping.

Your record system does not have to be complicated. It can be simple, easy to keep, and require little time. You will need to know how to keep track of the money coming in (cash received) and going out (cash payments). You will learn about customer billing forms and daily cash sheets.

Customer Billing Form

How you handle your parent billing will depend on how you set up your business. Parents' needs and preferences may help you decide how often you should bill them. Annie chose to bill parents and pay her staff at the same time. She thought that this way she could handle all of her recordkeeping at the same time. Many businesses, though, bill their customers every two weeks or monthly.

This is the billing form that Annie used.

SMALL FRY - Parent Billing Form

Parent: Mrs. Barbara Richards

Child: Caron

Date	Dates of Service	Amount Charged	Payment Received	Balance Due
6/5	6/1 - 6/5	$40	-	$40
6/11	6/8 - 6/10	$24	$64	-

A sample entry is made. It shows that on June 5 Mrs. Barbara Richards was charged $40 for five days of child care services Caron received. On June 11 she was charged $24 for three days of service. On June 11 Annie was paid $64. Since Annie requires payment on a weekly basis previous arrangements had been made to make this type of payment. This is probably not the form that you would use in your business. The exact form will depend on your needs and will probably look different.

Daily Cash Sheet

Annie used a daily cash sheet to keep track of the money coming into and going out of her day care center each day. This is a way of recording the cash payments for each day. The sales/payments are recorded on the left side of the form and are added up daily.

On the right side of the form you enter the money you paid out each day. These are the operating expenses of your day care center. The actual daily cash sheet that you will use as a day care center owner may be different.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	_____	Salaries	_____
Credit Sales	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

At the end of each week or month these daily forms are added up. They also are added at the end of the year to provide a complete statement of your profit and loss.

You may feel that you don't want to bother with recordkeeping. Then you can hire a part-time accountant or bookkeeper who specializes in day care center operations.

Summary

Keeping good financial records is a necessary part of running your own day care center. It involves properly completing a customer billing form and regularly keeping track of the business income and expenses.

Learning Activities

Individual Activities

1. Annie charged Willie White's parents $25 for five days of child care, from July 7 through July 11. Annie received $12.50 on July 12. Complete the following parent billing form.

SMALL FRY - Parent Billing Form

Parent: _____

Child: _____

Date	Dates of Service	Amount Charged	Payment Received	Balance Due

2. Briefly describe a daily cash sheet and list the information it contains.

3. Complete a daily cash sheet for Annie. Read the case study. Using today's date, how much money came into her day care center today and how much was paid out? (Assume that today is Friday.)

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	$_____	Salaries	$_____
Credit Sales	_____	Building Expenses	_____
		Equipment & Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	$_____	TOTAL CASH PAYMENTS	$_____

Discussion Questions

1. What other types of financial records would the owner of a day care center have to keep? Think of other types of money dealings this business would have.

2. Would the financial recordkeeping of a restaurant be different from a day care center? If so, how?

3. Why is it important to keep good financial records?

Group Activity

Collect sample billing forms from different day care centers in your area. Compare them. How are they similar? How are they different? What information do they record?

UNIT 9

Keeping Your Day Care Center Successful

Goal: To help you learn how to stay successful.

Objective 1: Given some information about a center's income and expenses, figure out the net profit (before taxes), profit ratio, and expense ratio.

Objective 2: Given a decline in profits, state one way to increase profits.

Objective 3: Given a specific problem of low sales, suggest a way to change your center to increase enrollment.

ANNIE KEEPS HER CENTER SUCCESSFUL

The time has passed quickly for Annie's day care center. Small Fry is now one year old, and enrollment is up to capacity. In fact, she is thinking of expanding the center.

But during the last few months Annie has been faced with a serious problem. Another day care center has opened in the neighborhood and the economy has taken a turn for the worse. Parents are not enrolling their children on a full-time basis. Annie is getting more non-enrollment children than usual.

She is still making money. But she is disturbed about the decline in full-time enrollment. Annie decides to make some changes to keep her day care center profit growing. She has to decide how to increase her profits. Should she raise her prices?

Keeping Your Business Successful

Everyone who goes into business wants to be successful. But how to be successful is always a business owner's problem.

There are three important ways to keep your business successful:

- Make sure you have enough money on hand.
- Keep profits up and costs down.
- Make changes in your business whenever necessary.

In the last unit, you learned how to keep track of cash on a daily basis. Keeping accurate records of your cash receipts and expenses is a "must." The same kind of system can be used on a weekly, monthly, or yearly basis to keep track of your profits. In this unit, you will learn how to keep track of and increase your profits. You also will learn how to change your business to increase your sales.

Keeping Track of Profit

Profit is what you receive for your hard work. It is the amount left over from your revenues (the amount of money you take in) after all of your business expenses have been paid (profit equals revenue minus expenses). When you add all the figures over the whole year as Annie did, you will come up with a profit/loss statement.

A profit/loss statement will tell you what your business owes, what it owns, and how much profit you have made over the year. A profit/loss statement will let you know the direction your business is taking from year to year. The profit/loss statement shows:

- revenues--money that comes into your day care center for payment of child care services;
- expenses--money spent in operating the business, including employees' salaries, rent, utilities, advertising, food costs, etc.; and
- net profit--amount of money left over from your gross profit after all your day care expenses are paid.

This is an example of a profit/loss statement you might use.

PROFIT/LOSS STATEMENT

	Year 1	Year 2
Revenues		
Cash Sales	$	$
Credit Sales	_____	_____
TOTAL	$	$
Expenses		
Salaries	$	$
Rent and Utilities		
Food and Supplies		
Advertising		
Other (insurance, accountant fees, interest on loan)	_____	_____
TOTAL	$	$
Net Profit	$	$

Two-Year Profit/Loss Statement

A two-year profit/loss statement helps you compare your income and expenses for two years.

You can record your figures written in dollars or in percentages of total gross cash or both. Figuring in percentages makes it easier to compare how well your day care center did last year with how well it is doing this year. The profit and expense ratios can also help you compare how well you are doing over the years.

The information in your profit/loss statement can be used to figure out the profit ratio and expense ratio of your day care center. Use the following formulas to compute these ratios:

$$\text{Profit ratio} = \frac{\text{Net Profit}}{\text{Revenues}}$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

Improving Net Profit

What if your profits are too low and business is not growing enough? You can try these ways to increase profits:

- increase services;
- raise prices; or
- reduce expenses.

Changing Your Business to Increase Enrollment

Changes in the economy will always have an effect on your business. Food and energy shortages will be an added problem. So you will probably need to increase your fees from time to time in order to raise your profits. To do this, you will either have to add something extra to your services or change them completely.

Before trying to make any changes, you will need to do a little research. Ask the parents and your staff what they would think of your change. Everybody's opinion helps. Look at the community and your competitors. Study new child care trends.

Enrollment may be low for many reasons. Thoroughly investigate the possible reasons for change. Annie made changes in her prices as the economy changed. However, she knew that she would have to provide a higher quality of service and extra services to make up for the higher prices.

You might need to change your staff, limit your enrollment, or reduce your number of employees. It will all depend on the changes you feel will be most effective in increasing your net profits.

Summary

You can figure out profits and compare them on a monthly or yearly basis by recording income and expenses on a profit/loss statement. You may want to increase profits. Then you must increase sales, raise prices, or reduce expenses. To increase your enrollment, you may need to improve the quality of or make other changes in your day care center.

Learning Activities

Individual Activities

1. What are three ways to keep your business successful?

2. Explain net profit.

3. Figure out Annie's profit, profit ratio, and expense ratio for Year 1 and Year 2.

	Year 1		Year 2	
	$	%	$	%
Revenues				
Cash Sales	$70,000		$85,000	
Credit Sales	- -		- -	
TOTAL		100%		100%
Expenses				
Salaries	$35,000		$39,000	
Rent and Utilities	7,200		9,000	
Food and Supplies	8,000		9,350	
Advertising	800		1,400	
Other	4,900		5,000	
TOTAL				
Net Profit				

4. Which of the above years was better for the business?

5. What are some ways to increase profits when enrollments in your day care center are too low?

Discussion Questions

1. Annie's day care center is making a good profit. Why do you think she is concerned about full-time enrollment? How do you think it will affect her profits in the long run?

2. Think of things Annie can do to increase her profits.

3. List as many reasons as you can think of why enrollment in a day care center might decline.

Group Activity

List several different things that you would have to do if you ran a day care center. Discuss how you feel about doing these things. Give yourself three points if you think you would like an activity, two points if you would not mind doing it, one point if you would do it but would not want to, and zero if you would not do it at all. It does not matter how many points you get because there are no right or wrong answers. This is just to see if owning a day care center might be right for you.

SUMMARY

This module has been about owning a day care center. To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if customers would use your business. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means dividing the work and hiring good workers. Then you must keep track of jobs to be done and who will do them.

Setting prices means figuring out the lowest price you can charge and also the highest price. To do this you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. The good things your business does in town are called promotion. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

To own and operate a successful day care center, you need training in child care, work experience, and the special business management skills we have covered in this module. You may not have had a course in child care. Then you should take one before deciding to own a day care center. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a day care center. However, you would have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own day care center.

QUIZ

1. As a day care center owner, which of the following age groups would you probably <u>not</u> serve?
   a. 0 - 2
   b. 2 - 6
   c. 6 - 11
   d. 12 - 18

2. List three personal qualities the owner of a day care center should have.
   a. _____
   b. _____
   c. _____

3. List three special services that a day care owner might use to compete well.
   a. _____
   b. _____
   c. _____

4. List the legal requirements and two inspections you will have to meet to open a day care center.
   a. _____
   b. _____
   c. _____

5. When you choose a site for your day care center, you should consider:

_____ a. zoning rules and regulations
_____ b. number of families with young children
_____ c. income of families
_____ d. rent
_____ e. character of neighborhood
_____ f. all of the above

6. What information does <u>not</u> need to be in your business description for a loan?

_____ a. The number of employees you plan to hire
_____ b. Location of your day care center
_____ c. Services you will provide
_____ d. The names of your customers

7. Which of the following would <u>not</u> need to be in your financial plan?

_____ a. How much money you made in your last job
_____ b. Money for emergencies
_____ c. How much money your parents make

8. Lisa Chung's starting expenses for her new day care center are $54,365. She has $15,000 of her own money she had saved and $3,300 she received from her parents. How much money will Lisa need to borrow?

9. Which information would need to be put in a job description?

_____ a. Salary, benefits, hours
_____ b. Personality type, age, sex wanted
_____ c. Address, type of day care center, directions to the office

10. If this were the only information you had, which person would probably make the best day care center teacher?

_____ a. A person who really needs a job

_____ b. A person who likes children

_____ c. A person who likes to work alone and does not like to be around people

11. List three ways to find an employee.

a. _____

b. _____

c. _____

12. Which of the following requirements is <u>not</u> needed to teach in a day care center?

_____ a. Be 18 or older

_____ b. Completed or working toward 12 college semester units in early childhood education

_____ c. Have a valid driver's license

13. A brochure would <u>not</u> need to include which of the following kinds of information about your center?

_____ a. Programs offered

_____ b. Cost

_____ c. Square footage

_____ d. Hours

_____ e. Rent you pay

_____ f. C and e above

14. List four types of information included in a billing form.

a. _____

b. _____

c. _____

d. _____

15. Which of the following information does a daily cash sheet include?

_____ a. Cash sales and payments

_____ b. Cash sales, payments, and profit

_____ c. Cash sales, payments, and debts

_____ d. Cash sales, payments, profits, and debts

16. The Tiny Tots day care center shows revenues of $210,000 on the Year 1 records and total expenses of $154,000. Complete the following:

Net profit = $_____

Profit ratio = _____%

Expense ratio = _____%

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PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components